

COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA  
WAVERLY, IOWA

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS  
JUNE 30, 2009

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COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

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COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

BOARD OF DIRECTORS  
JUNE 30, 2009

<u>NAME</u>	<u>TITLE</u>
Ken Kammeyer	President
Gaylord Hinderaker	Vice President
Catherine Tholkes	Secretary
Steve Reuter	Director
Brad McCalla	Director
Angela Nelson	Director
Ivan Mallie	Director



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge."*

Kenneth E. Crosser, CPA  
April D. Hammack, CPA  
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Community Based Services  
Waverly, Iowa

We have audited the financial statements of Community Based Services, a proprietary fund of Bremer County, Iowa, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Based Services, a proprietary fund of Bremer County, Iowa, at June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2010, on our consideration of Community Based Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
June 16, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Community Based Services, a proprietary fund of the Bremer County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Organization's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

The Organization's operating revenues increased 82.9% or \$884,249, from fiscal year 2008 to fiscal year 2009. Increases in revenue from patient fees accounted for the majority of this increase.

The Organization's operating expenses increased 77.2% or \$886,080, from fiscal year 2008 to fiscal year 2009. This increase in operating expenses is due primarily to an increase in salary and contract labor due to an increase in the amount of services provided.

The Organization's net assets decreased 18.0% or \$81,915, from fiscal year 2008 to fiscal year 2009.

### USING THIS ANNUAL REPORT

Community Based Services, a proprietary fund of the Bremer County, Iowa, operates as a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to Community Based Services, a proprietary fund of Bremer County, Iowa's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Organization's financial activities.

The Statement of Net Assets presents information on the Organization's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Organization's operating revenues and expenses, non-operating revenues and expenses and whether the Organization's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Organization's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Organization financed its activities and how it met its cash requirements.

The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

### FINANCIAL ANALYSIS OF THE ORGANIZATION

#### Statements of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Organization's financial position. The Organization's net assets at June 30, 2009 total \$372,771. This compares to \$454,686 for fiscal year 2008. A summary of the Organization's net assets as of June 30, 2009 and 2008 is presented below.

## NET ASSETS

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Current assets	\$ 281,765	\$ 185,358
Capital assets at cost, less accumulated depreciation	263,785	286,320
Other assets	<u>56,000</u>	<u>56,000</u>
Total assets	601,550	527,678
Current liabilities	<u>228,779</u>	<u>72,992</u>
Net assets	\$ <u>372,771</u>	\$ <u>454,686</u>

The Organization's unrestricted net assets account for 29.24% of total net assets and can be used to meet the Organization's obligations as they come due.

### Statements of Revenues, Expenses and Changes in Net Assets

Operating revenues are received from patient fees, rent and contributions. Operating expenses are expenses paid to run the Organization. Non-operating revenues and expenses include interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended June 30, 2009 and 2008 is presented below:

## CHANGES IN NET ASSETS

	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating revenue:		
Patient fees	\$ 1,844,220	\$ 942,614
Rent	42,825	92,119
Contributions	<u>63,642</u>	<u>31,705</u>
Total operating revenue	<u>1,950,687</u>	<u>1,066,438</u>
Operating expenses:		
Salaries	972,871	750,497
Contract labor	550,167	2,487
Payroll taxes	71,043	54,287
Employee benefits	219,980	181,753
Employee relations	6,415	3,401
Advertising	2,929	1,604
Office and general	38,138	9,560
Insurance	32,185	28,792
Direct consumer expense	7,665	6,592
Rent expense	11,140	672
Repairs and maintenance	25,891	24,096
Professional fees	7,108	-
Telephone	18,281	10,656
Utilities	12,953	21,972
Staff meals	3,435	4,397
Travel	24,451	19,106
Depreciation	22,535	23,769
Dues and memberships	1,506	1,536
Medical	3,880	1,808
Miscellaneous	629	137
Total operating expenses	<u>2,033,202</u>	<u>1,147,122</u>
Operating loss	(82,515)	(80,684)
Non-operating revenues:		
Interest income	<u>600</u>	<u>-</u>
Change in net assets	(81,915)	(80,684)
Net assets - Beginning of year, as restated	<u>454,686</u>	<u>535,370</u>
Net assets - End of year	\$ <u>372,771</u>	\$ <u>454,686</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a decrease in the net assets at the end of the fiscal year.

In fiscal year 2009, operating revenues increased 82.9% or \$884,249, primarily due to an increase in the amount of patients served. Operating expenses increased 77.2% or \$886,080, primarily due to an increase in patients served.

### **Statement of Cash Flows**

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related investing and financing activities. Cash provided by operating activities includes patient fees and other receipts reduced by payments to suppliers and employees. Cash provided by investing activities includes interest income.

### **CAPITAL ASSETS**

At June 30, 2009, the Organization had \$589,934 invested in capital assets, net of accumulated depreciation of \$326,149. Depreciation charges totaled \$22,535 for fiscal year 2009. More detailed information about the Organization's capital assets is presented in the Notes to Financial Statements.

### **ECONOMIC FACTORS**

Community Based Services, a proprietary fund of Bremer County, Iowa, financial position declined during the current fiscal year. The current condition of the economy in the State continues to be a concern for Organization officials. Some of the realities that may potentially become challenges for the Organization to meet are:

The Organization anticipates the current fiscal year will be much like the last and we will maintain a close watch over resources to maintain our ability to react to unknown issues.

### **CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Community Based Services, 112 10<sup>th</sup> Street SW, Waverly, Iowa 50677.

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## BASIC FINANCIAL STATEMENTS

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COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

STATEMENT OF NET ASSETS  
JUNE 30, 2009

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 68,079
Accounts receivable	207,873
Prepaid insurance	5,813
Total current assets	<u>281,765</u>

PROPERTY AND EQUIPMENT:

Buildings and improvements	490,388
Furniture	41,012
Equipment and vehicles	58,534
Total	589,934
Less accumulated depreciation	326,149
Book value of property and equipment	<u>263,785</u>

OTHER ASSETS:

Notes receivable	<u>56,000</u>
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TOTAL ASSETS 601,550

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	73,461
Accrued payroll	33,866
Accrued compensated absences	64,887
Deferred revenues	28,119
Deferred insurance settlement	26,702
Accrued other liabilities	1,744
TOTAL LIABILITIES	<u>228,779</u>

NET ASSETS:

Invested in capital assets, net of related debt	263,785
Unrestricted	108,986
TOTAL NET ASSETS	<u>\$ 372,771</u>

COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
YEAR ENDED JUNE 30, 2009

OPERATING REVENUE:

Patient fees	\$ 1,844,220
Rent	42,825
Contributions	<u>63,642</u>
Total operating revenue	<u>1,950,687</u>

OPERATING EXPENSES:

Salaries	972,871
Contract labor	550,167
Payroll taxes	71,043
Employee benefits	219,980
Employee relations	6,415
Advertising	2,929
Office and general	38,138
Insurance	32,185
Direct consumer expenses	7,665
Rent expense	11,140
Repairs and maintenance	25,891
Professional fees	7,108
Telephone	18,281
Utilities	12,953
Staff meals	3,435
Travel	<u>24,451</u>
Depreciation	22,535
Dues and memberships	1,506
Medical	3,880
Miscellaneous	<u>629</u>
Total operating expenses	<u>2,033,202</u>

OPERATING LOSS (82,515)

NONOPERATING REVENUE:

Interest income	<u>600</u>
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CHANGE IN NET ASSETS (81,915)

NET ASSETS - Beginning of year, as restated 454,686

NET ASSETS - End of year \$ 372,771

COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 1,765,145
Cash received from contributions	63,642
Cash paid to suppliers for goods and services	(831,962)
Cash paid for employees and employment taxes	(1,000,512)
NET CASH USED IN OPERATING ACTIVITIES	(3,687)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	600
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NET DECREASE IN CASH AND CASH EQUIVALENTS (3,087)

CASH AND CASH EQUIVALENTS - Beginning of year 71,166

CASH AND CASH EQUIVALENTS - End of year \$ 68,079

RECONCILIATION OF OPERATING LOSS TO NET CASH USED INOPERATING ACTIVITIES:

Operating loss	\$ (82,515)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	22,535
Change in assets and liabilities:	
Increase in accounts receivable	(121,900)
Decrease in prepaid insurance	15,089
Decrease in inventories	7,317
Increase in accounts payable	64,330
Increase in accrued payroll	12,117
Increase in accrued compensated absences	31,285
Increase in deferred revenues	28,119
Increase in deferred insurance settlement	26,702
Decrease in accrued other liabilities	(6,766)
Total adjustments	78,828

NET CASH USED IN OPERATING ACTIVITIES \$ (3,687)

COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Community Based Services, a proprietary fund of Bremer County, Iowa, is a charitable, non sectarian organization operating to service Bremer County, Iowa to provide opportunities for people with disabilities to be actively involved in determining where and how they live, work and participate in the community.

The financial statements of the Organization are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, Community Based Services, a proprietary fund of Bremer County, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The Organization has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of another organization's governing body and (1) the ability of the Organization to impose its will on another organization or (2) the potential for another organization to provide specific benefits to or impose specific financial burdens on the Organization. Community Based Services, a proprietary fund of Bremer County, Iowa, has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Community Based Services, a proprietary fund of Bremer County, Iowa, are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Organization applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Organization distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Organization's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash, Investments and Cash Equivalents

The Organization considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Accounts Receivable

The Organization grants credit to its customers, most of whom are located in the Northeast Iowa area. Accounts receivable are considered past due after 30 days and are charged off when management determines the account is uncollectible. The risk of loss on the accounts receivable is the balance owed at time of default. Bad debts are charged to operations in the year in which the account is determined uncollectible. If the reserve method of accounting for uncollectible accounts was used, it would not have a material effect on the financial statements.

Capital Assets

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets.

Reportable capital assets are defined by the Organization as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of one year.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 5,000
Furniture	5,000
Equipment and vehicles	5,000

Capital assets of the Organization are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings and improvements	20-50
Furniture	2-20
Equipment and vehicles	3-10

Compensated Absences

Organization employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Organization's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2009.

COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND INVESTMENTS

Community Based Services, a proprietary fund of Bremer County, Iowa, had deposits in banks at June 30, 2009 that were entirely covered by federal depository insurance or by the State Sinking fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Organization is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investment rate risk – The Organization's investment policy limits the investments of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Organization.

NOTE 3: CAPITAL ASSETS

A summary of fixed assets at June 30, 2009 is as follows:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets being depreciated				
Buildings and improvements	\$ 490,388	\$ -	\$ -	\$ 490,388
Furniture	41,012	-	-	41,012
Equipment and vehicles	58,534	-	-	58,534
Total capital assets being depreciated	589,934	-	-	589,934
Less accumulated depreciation for:				
Buildings and improvements	213,962	20,083	-	234,045
Furniture	31,760	2,195	-	33,955
Equipment and vehicles	57,892	257	-	58,149
Total accumulated depreciation	303,614	22,535	-	326,149
Total capital assets being depreciated, net	\$ 286,320	\$ 22,535	\$ -	\$ 263,785

COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CAPITAL ASSETS (Continued)

The following is a schedule of depreciation by amounts computed under the straight-line method for the major classifications of buildings and improvements, furniture, and equipment and vehicles and the respective depreciable lives for the year ended June 30, 2009:

		<u>Depreciable Lives</u>
Buildings and improvements	\$ 20,083	5-40 Years
Furniture	2,195	2-20 Years
Equipment and vehicles	<u>257</u>	2-20 Years
Total	\$ <u>22,535</u>	

NOTE 4: PENSION AND RETIREMENT BENEFITS

The Organization contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Organization is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. The Organization's contributions to IPERS for the year ended June 30, 2009 was \$61,456.

NOTE 5: ORGANIZATION RISK MANAGEMENT

Community Based Services is exposed to various risks of loss related to torts, theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by purchase of commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage during the year ended June 30, 2009.

NOTE 6: MAJOR REVENUE SOURCE

The Organization receives the majority of its funding from patient fees.

NOTE 7: PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2008, Community Based Services had recorded \$24,000 in repairs and maintenance expense and a liability to CPC for flood damages that CPC paid on behalf of the Organization. CPC was reimbursed by FEMA for the total amount, thus eliminating the amount due to CPC. As a result, net assets at June 30, 2008 were increased by \$24,000.

Net assets, June 30, 2008, as previously reported	\$ 430,686
Restatement:	
Record adjustment for repairs and maintenance expense	<u>24,000</u>
Net assets, June 30, 2008, as restated	\$ <u>454,686</u>



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Joseph C. Larkin, CPA (1960-1990)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Community Based Services  
Waverly, Iowa

We have audited the accompanying financial statements of Community Based Services, a proprietary fund of Bremer County, Iowa, as of and for the year ended June 30, 2009, and have issued our report thereon dated June 16, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Community Based Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Community Based Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Based Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Community Based Services, a proprietary fund of Bremer County, Iowa, responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Organization's responses, we did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Organization and other parties to whom the Organization may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Community Based Services, a proprietary fund of Bremer County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
June 16, 2010

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COMMUNITY BASED SERVICES  
A PROPRIETARY FUND OF BREMER COUNTY, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2009

Part I: Summary of Independent Auditor's Results

- I-A-09 Unqualified opinions were issued on the financial statements.
- I-B-09 Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- I-C-09 The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings - Financial Statements Audit

Significant Deficiencies:

- II-A-09 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Certain employees perform duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Organization should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The Organization should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Instances of Noncompliance:

No matters were noted.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-09 Questionable Expenses – No expenses that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- III-B-09 Travel Expense – No expenditures of money for travel expenses of spouses of the Organization's officials or employees were noted.
- III-C-09 Business Transactions – No business transactions between the Organization and Organization's officials were noted.
- III-D-09 Bond Coverage – Surety bond coverage of Organization officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- III-E-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-F-09 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Organization's investment policy were noted.